The Insider's Guide to Grantmaking:

How Foundations Find, Fund, and Manage Effective Programs

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Chapter One

Making Sense of the Grantmaking Universe

All grantmaking is done in a context-in fact, in many contexts simultaneously. There is the financial context (How large is the asset base?), the social context (Is society kindly disposed toward foundations and the types of social change they promote?), and the historical context (What has the foundation accomplished in the past?). The most influential of them all, however, is the institutional context of the foundation itself. All foundations have a dominant ideology, and given the large number of foundations in the United States, these ideologies span the spectrum from the loony left to the rabid right. The ideology, in turn, does much to shape the foundation's "theory of change": its beliefs about what type and intensity of intervention will best facilitate social movement toward the common good. The wide scope given to people to create private foundations in the United States virtually mandates that there will be nearly as many theories of change as there are foundations themselves.

Within this ideological welter, we can nonetheless discern that theories of change cluster around four main types. These types can be plotted as points along a single continuum. Because all the types begin with the letter P, this will hereafter be referred to as the 4-P continuum. As illustrated in Figure 1.1, the types are the passive, proactive, prescriptive, and peremptory. A brief description of each type will highlight the very real differences among them.

1. Passive. The passive foundation essentially responds to unsolicited requests-in foundationese, requests that come in "over the transom." The passive foundation may (but more often does not) publish an annual report listing some general guidelines for giving, but it does little or nothing more than that to generate proposals. It simply chooses for funding the best proposals in hand when the funding cycle comes to an end, and it usually does very little to share with others the lessons it is learning from programs it supports. Among those who could benefit from the lessons are applicants, other foundations, and policymakers. Among the lessons are what sorts of interventions are effective and ineffective, what are key leverage points for social change, and whether there are better ways to provide needed services. The motto of the passive foundation might be "We fund the best of those who find us."

2. Proactive. The proactive foundation is more energetic in making its interests known, through annual reports, brochures, Web pages, and other means. It tends to have well-defined priorities, and sends its program officers out actively searching for good grantees. Still, it is quite open to considering unsolicited good ideas. Generally, proactive foundations make grants clustered around related subjects, and they sometimes actively network their grantees, thus maximizing the number of lessons that they can learn from them and also maximizing the benefits that those grantees can provide to society. Most proactive foundations also have an interest in sharing those lessons learned with others,

such as fellow funders or members of Congress. The motto of the proactive foundation might be "We fund the best we can find."

3. Prescriptive. The prescriptive foundation clearly defines its interests. It expects its program officers to identify relatively narrow fields of activity and to concentrate their efforts in those fields. The prescriptive foundation tends to do its grantmaking in an initiative-based format-that is, through a strategically structured grants program based on applicants responding to a formal and well-defined request for proposals (RFP). The prescriptive foundation usually retains the capacity to respond to a few unsolicited requests, and it sometimes operates its own programs (that is, it manages charitable programs directly, with its own employees, rather than makes grants). No matter what its precise structure, however, the prescriptive foundation keeps its sights clearly focused on its defined interests. Its motto might be "We fund the best we can define."

4. Peremptory. The peremptory foundation is totally agenda- driven. It chooses its grantees, sometimes by means of an RFP but often simply by selecting them without public notice or competition. Peremptory foundations often operate their own programs and rarely if ever accept unsolicited proposals. Some peremptory foundations create reports on their grantmaking, but others do minimal reporting or none at all so as to avoid creating a demand they have no intention of fulfilling. The motto of the peremptory foundation might be "We fund the best we can imagine, and no others need apply."

Choosing a Grantmaking Style

A foundation's theory of change has a direct effect on its style of grantmaking. The passive foundation is highly likely to make a series of isolated, unconnected grants based solely on the proposals it receives during a given time period. The proactive foundation is likely to make clusters of individual grants tied together by a subject or a theme, while remaining very receptive to requests from outside. The prescriptive foundation is apt to carve out well-defined and strategically conceived initiatives, leaving relatively little receptivity to requests from outside. The peremptory foundation chooses grantees according to its own specific and strongly held visions, and it is not at all receptive to unsolicited requests.

The great majority of all U.S. foundations fall somewhere in the middle section of the 4-P continuum. They are either proactive or prescriptive, thus tending to make grants by cluster or by initiative. The lines frequently cannot be drawn with such sharp precision, however, and many foundations practice a mixture of two-or even more-styles. For example, a foundation may be for the most part proactive, but it may operate a program or conduct one or more initiatives that would typically be more characteristic of a prescriptive foundation. This book will consider both the proactive and prescriptive styles, but will make less effort to cover the much rarer passive and peremptory styles.

Just where on the 4-P continuum a foundation locates itself is affected by ideology, but not completely determined by it. In general, the more ideologically charged the foundation, the more it tends to favor highly directed theories of change. Despite their vast political differences, highly ideological liberal and highly ideological conservative foundations both would be likely to favor a peremptory style of operation. When views are strongly held in a foundation, the organization tends to be less receptive to over-the-transom grantmaking.

The 4-P continuum provides a basis for understanding the trade-offs inherent in embracing different theories of change. The passive foundation is open to good ideas and

can react quickly to unexpected opportunities, but it pays a cost in its lack of systematic programming, which in turn causes, in most cases, weak or indifferent outcomes. It has great breadth but little depth. The peremptory foundation can be extremely strategic in identifying highly specific projects and following through on them to achieve measurable results, but it pays a cost in lack of flexibility and inability to respond to unexpected opportunities. It has great depth but little breadth. Proactive and prescriptive foundations seek to find their own versions of the happy medium between these two extremes. All, however, must cope with the essential trade-offs of opportunity versus strategy and breadth versus depth. Figure 1.2 illustrates these trade-offs in relation to the 4-P continuum.

Choosing a Mode of Operation

In addition to embracing a theory of change and a grantmaking style, the foundation must choose a mode of operation. There are essentially two ways that a foundation may conduct its business: as a grantmaking or an operating organization. The vast majority of U.S. foundations are grantmaking; that is, they make awards to mainly nonprofit organizations for charitable purposes. In order to do this, the foundation (if it is of a significant size) usually needs employees of its own, but because the foundation does not itself manage the projects that it supports financially, it need not employ a large staff. An operating foundation, in contrast, makes few or no awards to other organizations. Instead, it manages institutions, such as museums; or oversees activities, such as fellowship programs; or conducts research. Two of the largest operating foundations are the Howard Hughes Medical Research Institute and the

J. Paul Getty Foundation. Because they actually manage programs, operating foundations tend to have a relatively larger number of employees than their grantmaking counterparts.

Although there is a distinct difference between the two modes of operation, one is not intrinsically better or worse than the other. Grantmaking foundations are able to support a wider range of good causes, but operating foundations are able to support work in greater depth and for longer duration. The distinction between the two is sometimes muddied by the fact that certain foundations combine both modes, having both a grantmaking side and an operating side. The most common example of this "mixed" approach is the grantmaking foundation that also operates a significant fellowship program, but there are other models as well. Proponents of this approach see benefits deriving from cross- fertilization, for the lessons learned from grantmaking should sharpen the foundation's management of its operated programs; the lessons learned from running programs should inform and improve the foundation's grantmaking. The great majority of U.S. foundations are nonetheless exclusively grantmaking **entities, so this book will focus on the grantmaking mode of operation.**

Choosing a Public Profile

It is essential that each foundation decide on the type of public profile that it wishes to present. This profile ranges from the spotlight-seeking to the camera-shy. Historically, for the most part foundations have been very little in the news. The work they do is complex and takes a long time to show results, and, in any case, much of their work is done through others. For example, the research supported by the Rockefeller Foundation to increase global crop yields-the "Green Revolution"-was extremely technical, took literally decades to fully mature, and was carried out largely by universities doing research, not by the foundation itself. It would be an enormous challenge to capture and

hold the attention of the media on such arcane subjects for such a long span.

Many foundations have deliberately sought to avoid publicity. Reasons for their doing so can range from the laudable (a desire to do good works quietly without receiving credit) to the questionable (it's no one's business how we choose to do good works). Operating without press scrutiny can lead to quietly effective outcomes. It can also lead to insular, narrow-minded, and anachronistic outcomes. And even when the work thus done is effective, it is done so quietly that few people learn about it.

Another reason for the relative invisibility of foundations in the press can be deduced from the types of stories that have appeared about foundations. Largely due to the penchant for anonymity that many foundations display, most of the attention given to them by the fourth estate has been during times of trouble. Typically, it has come during congressional investigations (such as that of the Patman committee, which led to the Tax Reform Act of 1969) or when an individual foundation becomes embroiled in a scandal. Many foundations, as a result, have come to equate publicity with regulatory assaults or lurid exposs and have become reflexively leery of any kind of limelight.

As with most other questions facing the field, there is no ideal stance regarding which public profile a foundation should choose. Those who argue for the low-profile approach say that the media cares only about negative stories, so any news about foundations will be, by definition, bad news. The complexity of the projects supported by foundations makes it challenging for reporters to understand them, thus causing inaccuracies to appear in print. Once made, these errors are difficult to correct and could excite the suspicion of those who regulate foundations. Besides, at least in the case of grantmaking foundations, it is the grantee that does the work, and therefore it is the grantee that should take the bow. Finally, worrying about what the media might say is likely to skew the performance and decision making of foundations. Just as politicians hesitate to take necessary but unpopular steps for fear of igniting a firestorm in the press, so too will foundations obsessed with their media image shy away from controversy and venturesome decisions.

Those who argue for a higher profile say that, contrary to popular belief, the media are not obsessed with negativity; the media will, however, be more likely to go negative if they are not provided with examples of the good work that foundations do. The danger of a low profile is that when the foundation finds itself in the midst of a controversy, it will have no on-staff expertise in dealing with the press and no contacts within the press who are knowledgeable about philanthropy, and it will suffer for its past isolation. Al-though the projects supported by foundations are complex, and although grantees do most of the work, foundations do have a vital role to play in society, and it is important that people understand that role. Without cultivating such an informed constituency, foundations will find themselves in trouble whenever regulators become interested in them. A working relationship with the press can help foundations help their grantees disseminate innovations and ideas. Finally, good relations with the media will make foundations more venturesome, not less, for foundations will be able to tell their side of the story in any controversial situation and thereby become less fearful of controversies.

On balance, it appears that those who favor a more open stance have the stronger case. Foundations should be supporting work of real public utility, and if they are, the public has a right to know about it. Although there are risks involved in opening one's program to public scrutiny, there are greater risks inherent in pursuing a policy of secrecy. Any organization operates better in the long run when it is accountable to others outside its own narrow ambit. Foundations therefore should pursue a policy of openness and

accountability to the many publics they serve.

Whatever a foundation's theory of change, style of grantmaking, mode of operation, and level of public profile, as a program officer you must thoroughly understand them and be able to operate comfortably within them. On the one hand, if you are working at a foundation that is proactive and low profile and that engages in cluster grantmaking, it will not do to be a highly prescriptive, micromanaging, and personally flamboyant program officer. On the other hand, these qualities might be highly valued in an operating foundation that is peremptory and high profile.

Setting Grantmaking Priorities

"No people," observed Mandell Creighton, "do so much harm as those who go about doing good." While Mr. Creighton was undoubtedly exaggerating in order to make a point (Joe Stalin, for example, probably did more harm than even the most avid do-gooder), there is more than a little truth to this remark. Foundations that have not bothered to set goals for their funding-or those that have, but have decided not to share them with the grantseeking public-comprise an excellent example of Mr. Creighton's point. Foundations can waste buckets of their own money-and hours of grantseeker time-if they have not firmly set their priorities for social change and clearly communicated these priorities to the public.

It is obvious that grantmaking institutions with different styles will set their priorities very differently. A passive foundation will allow its priorities to be set pretty much by the postman (that is, by whatever proposals it receives). A peremptory foundation will set its priorities exclusively to advance its predetermined agenda without reference to what the other six billion people in the world might think. For the great mass of foundations that fall into the proactive and prescriptive categories, however, there is an ongoing attempt to strike a balance in setting programming priorities between listening to the needs, dreams, and aspirations of those outside the foundation, and heeding the ideas, insights, and plans of those inside the foundation.

Grantseekers complain, often with justification, that foundations do not regularly consult them before setting their priorities. Those people whom foundations aim to help-such as the impoverished, or victims of inequities-complain with even more justification that they are not usually asked their opinions before programs are crafted to help them. Scholars point out, with considerable justification, that priorities and programs devised by foundations without outside input invariably disappoint and nearly always fail. Effective grantmaking depends on foundations constructing their agenda in consultation with others. Fortunately, there are many ways to do so.

The easiest of these potential partners to consult is the grantseeker. As a program officer, you are in frequent contact with grantseekers, and there is even a national professional organization-the National Society of Fund Raising Executives-for those who raise money for a living. Getting the input of informed grantseeking professionals, therefore, is not particularly difficult; it is merely a matter of deciding to do so and following through. Securing the input of people on the margins of society, however, presents a greater challenge. First of all, in your position as a program officer, you encounter impoverished people much less often than you encounter professional grantseekers. Nor is there a single association by and for the disenfranchised to whom you can turn for counsel. This advice is absolutely essential, but you must be sure that those whom you choose to give the advice are knowledgeable about the needs, assets, and aspirations of their own community and have the respect of their peers. Just because they live there does not mean that they automatically have attained such knowledge and esteem. Foundations,

which reside at a great remove (often physically, but almost always attitudinally) from stressed communities, have a lot of legwork to do in this process.

Precisely because it is so difficult to do that legwork, program officers often fall into the trap of claiming to have consulted those on the margins because they met with their intermediary representatives. For example, if the foundation wishes to work in an impoverished neighborhood, the foundation's representatives may consult with the local community development corporation or tenant's association and then proclaim that they have secured input from the people living in the neighborhood. It is important, of course, to consult such intermediary grantseeking organizations; however, although they might plausibly claim to represent some of the people living in that area, they still may not represent a true cross section of the residents. If as a program officer you truly want to get advice from the people, you will need to talk to a representative group of the people themselves. Doing so involves much work on the ground to get the right set of people at the table. There are no shortcuts when it comes to heeding the voices of those whom foundations wish to help.

The Five Steps in Setting Priorities

Step one: Identify a niche. In some cases, a foundation's area or areas of interest are determined by the will of the donor, and there is no need to consider any other area of work. In the case of the donor giving the foundation wide leeway (as did Carnegie and Rockefeller), the first step the foundation must take is to identify areas that need work or possible niches where the foundation could make a difference. Are there places where a little extra effort might achieve a breakthrough? Areas of promise that have been ignored by others? Preliminary work that could lead to greater things later on?

Step two: Review the literature. Once a possible niche has been identified, the foundation will need to learn what is already known about that subject, and the best place to start is with a literature review. If the foundation wishes to support research on a cure for a certain disease, for example, what research has already been done? There can be no point in demonstrating yet again something that has already repeatedly been demonstrated and verified.

Step three: Scan the field. If the literature search suggests that valuable lessons could be learned by grantmaking within a certain niche, the next step is to discover what other foundations and corporate giving programs have been doing on this subject. Other funders are probably working on this subject, or related subjects, already. They may be willing to share the lessons they have learned. The best way to learn about what other funders are doing is to consult the Foundation Center library, which is the premier source of information about grantmaking. The data supplied by the Foundation Center will give a baseline of information about the state of opportunity within the contemplated niche.

Step four: Consult those most affected. To continue with the example of research on a disease, the foundation would wish to consult university-based researchers, practicing physicians, researchers seeking cures in pharmaceutical companies, and those working on the problem from other perspectives (that is, other medicocultural traditions, alternative medicine). Besides these professional viewpoints, the foundation should also solicit the opinions of those having the disease and their primary caregivers, families, and support groups.

These opinions can be sought rather formally, through carefully designed stakeholder studies, which seek to compare responses made to a common survey instrument. It can be done less formally, through the use of polling techniques. And it can be done in a

more face-to-face mode, with focus groups, advisory panels, or community-based meetings. Each of the methods presents trade-offs. Generally speaking, the more formal the approach, the more objective the data; the more informal the approach, the more subjective the data. The more formal the setting, however, the greater the chance that respondents will not answer with complete candor; they may even become downright intimidated. Formally gleaned data, therefore, may be consistent and replicable yet still be unsound.

This phenomenon deserves a little more explanation. Any time a foundation reaches out to others for advice on priority setting, one thing is certain: distribution of a lot of money is riding on the outcome. To ensure that the cash starts to flow, many-perhaps most-respondents are likely to feel pressure to say what he or she thinks the foundation wants to hear.

The rationalization goes something like this: "I'd like to tell the foundation the whole truth, but if they hear how bad things are, they probably will not start this work at all. So I will tell them just enough to get them interested. After all, it is better to get half a loaf than no loaf at all." Therefore it is incumbent on any foundation engaged in consulting others to constantly reassure the people whom they are asking for advice that they want a "warts and all" picture, not just happy talk. The difference in the power dynamic will always be there. Foundations will always have the money, and people outside will always need it, but foundations can, and must, do everything in their power to reduce the gaps that impede honest communication when they are consulting with others.

At no time does this power differential loom larger than when the foundation is getting input from disenfranchised people. A phalanx of Ph.D.'s in suits is not likely to put anyone at ease, particularly not in the austerely formal settings that characterize many foundation headquarters. It thus makes sense to go to the community when asking its residents their views. Informal meetings, held on familiar turf, go a long way toward reducing the intimidation factor.

Another key ingredient is simple respect. If community residents are treated with any less dignity and credibility than university experts, the foundation can forget any hope of receiving honest input. These are not occasions to quibble with advisers or, worse yet, to lecture them on conditions in their own backyards. This is not to say that you cannot disagree with residents on legitimate issues. There must be an open dialogue for the process to work. But the dialogue should be kept strictly within the bounds of respectful and actively attentive discussion. The minute a community delegation realizes that it is being disrespected, all is lost.

Given the obvious importance of getting input from those most affected, you might wonder why this is the fourth step rather than the first. The reason is simply that any such indication of interest on the part of a foundation will raise hopes and expectations of assistance within a community. It is preferable, therefore, to wait until later in the priority-setting process, when a foundation is more certain of its interest in a prospective niche, to seek a community's input. No good can come from raising expectations frivolously.

Step five: Make some learning grants. Once the prospective niche is identified, the literature is reviewed, the field is scanned, and those most affected are consulted, the foundation may begin to finalize its priorities. Each foundation will have a different process for doing so, with varying degrees of involvement-and autonomy-for the program officer. A fully formed set of priorities can emerge from the process at this point; there is, however, one other tool in priority setting that is often overlooked: the act

of grantmaking itself. It is possible, indeed desirable, to have the fifth and final step in setting priorities consist of making exploratory or learning grants. Such grants are usually modest in size, short-term, and carefully evaluated. The lessons that emerge from them provide a real-world test of the priority-setting process and allow the foundation to make needed adjustments before launching full-blown programs of grantmaking.

Conclusion

Foundations are notoriously difficult to pigeonhole by means of generalizations. They are liberal and conservative, sluggish and hyperkinetic, grantmaking and operating, reclusive and brash. In this variegated diversity, they very much resemble the American people whence they sprang.

In priority setting, though, these wildly different organizations begin to find common ground: a shared sense of good practice. Grantmaking, of course, can be done in a vacuum without going to the trouble of setting priorities. No matter how ill conceived the grantmaking program, no matter how arbitrarily it may have been devised, cash-starved organizations can always be found to become the foundation's grantees. One is reminded, however, of the wisdom found on a dental poster that admonishes, "You do not have to brush all of your teeth. Just the ones that you want to keep." Foundations do not need to identify prospective niches, search the literature, do funding scans, consult those affected, and conduct exploratory grants for all of their projects-just for the ones they want to improve society.